

ARTS AND HUMANITIES COUNCIL OF
SOUTHWEST LOUISIANA, INC.

FINANCIAL REPORT
(Reviewed)

August 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/11/05

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Arts and Humanities Council of Southwest Louisiana, Inc.
Lake Charles, Louisiana

We have reviewed the accompanying statement of financial position of Arts and Humanities Council of Southwest Louisiana, Inc., as of August 31, 2004, and the related statements of activities, functional expenses and cash flows for the year then ended, in accordance with the *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Arts and Humanities Council of Southwest Louisiana, Inc.

A review consists principally of inquiries of Council personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, we have issued a report dated February 28, 2005, on the results of our agreed-upon procedures.

Lake Charles, Louisiana
February 28, 2005

ARTS AND HUMANITIES COUNCIL OF SOUTHWEST LOUISIANA, INC.

STATEMENT OF FINANCIAL POSITION

August 31, 2004

(See Accountants' Review Report)

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 109,351
Grants receivable	151,637
Prepaid expenses	<u>1,054</u>
Total current assets	262,042

NONCURRENT ASSETS

Net fixed assets	<u>5,891</u>
Total assets	<u><u>\$ 267,933</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Due to grant recipients	46,542
Accrued liabilities	1,884
Due to grantor	4,634
Deferred revenues	<u>139,376</u>
Total current liabilities	192,436

NET ASSETS

Unrestricted and designated:	
Appropriated-board designated	1,077
Appropriated-furniture and equipment	5,891
Unappropriated	<u>66,154</u>
Total unrestricted net assets	73,122
Temporarily restricted	<u>2,375</u>
Total net assets	<u>75,497</u>
Total liabilities and net assets	<u><u>\$ 267,933</u></u>

See accompanying notes to financial statements

ARTS AND HUMANITIES COUNCIL OF SOUTHWEST LOUISIANA, INC.

STATEMENT OF ACTIVITIES

Year Ended August 31, 2004

(See Accountants' Review Report)

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS			
Memberships	\$ 13,805	\$ -	\$ 13,805
Contributions	3,330	2,375	5,705
Fundraising	819	-	819
Arts Camp	33,850	-	33,850
Grants	266,542	-	266,542
Interest income	131	-	131
Special projects	11,663	-	11,663
Miscellaneous income	1,059	-	1,059
	<u>331,199</u>	<u>2,375</u>	<u>333,574</u>
PROGRAM SERVICES			
Arts & Humanities Program	97,097	-	97,097
Decentralized Arts Program	170,210	-	170,210
Special projects	11,744	-	11,744
Total program services	<u>279,051</u>	<u>-</u>	<u>279,051</u>
SUPPORT SERVICES			
General and administrative	41,781	-	41,781
Fundraising	9,092	-	9,092
Total support services	<u>50,873</u>	<u>-</u>	<u>50,873</u>
Total expenses	<u>329,924</u>	<u>-</u>	<u>329,924</u>
Change in net assets	<u>1,275</u>	<u>2,375</u>	<u>3,650</u>
Net assets, beginning of the year	<u>71,847</u>	<u>-</u>	<u>71,847</u>
New assets, end of year	<u>\$ 73,122</u>	<u>\$ 2,375</u>	<u>\$ 75,497</u>

See accompanying notes to financial statements

ARTS AND HUMANITIES COUNCIL OF SOUTHWEST LOUISIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2004

(See Accountants' Review Report)

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 42,559	\$ 17,678	\$ 5,238	\$ 65,475
Payroll taxes	1,740	723	214	2,677
Employee benefits	3,013	1,252	371	4,636
Arts Camp	35,525	-	-	35,525
Bank charges	-	250	-	250
Fundraising	-	-	2,053	2,053
Insurance	-	2,127	-	2,127
Legal and professional	528	4,741	-	5,268
Marketing	-	1,196	-	1,196
Membership/subscription	480	1,438	-	1,918
Miscellaneous	-	31	-	31
Panel Meeting	756	-	-	756
Printing and publications	2,103	117	117	2,337
Professional development	588	65	-	653
Postage	1,883	471	-	2,354
Regrants	170,210	-	-	170,210
Rent expense	-	6,144	-	6,144
Repairs and maintenance	1,197	598	598	2,393
Special projects	11,744	-	-	11,744
Supplies	501	1,003	501	2,005
Telephone	2,439	2,439	-	4,878
Travel	3,785	-	-	3,785
Total expenses before depreciation	279,051	40,273	9,092	328,415
Depreciation	-	1,508	-	1,508
Total expenses	\$ 279,051	\$ 41,781	\$ 9,092	\$ 329,924

ARTS AND HUMANITIES COUNCIL OF SOUTHWEST LOUISIANA, INC.

STATEMENT OF CASH FLOW

August 31, 2004

(See Accountants' Review Report)

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 3,650
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,508
(Increase) in accounts receivable	(112,637)
Decrease in inventory	1,835
(Increase) in prepaid expenses	(61)
Increase in due to grant recipients	6,448
(Decrease) in accrued expenses	(321)
Increase in due to grantor	4,634
Increase in deferred revenue	139,376
Net cash provided by operating activities	<u>44,432</u>

CASH FLOWS FROM OPERATING ACTIVITIES

Purchase of equipment	<u>(4,538)</u>
Net change in cash and cash equivalents	39,894
Cash and cash equivalents, beginning of year	69,457
Cash and cash equivalents, end of year	<u><u>\$ 109,351</u></u>

See accompanying notes to financial statements

Arts and Humanities Council of Southwest Louisiana, Inc.

NOTES TO FINANCIAL STATEMENTS

(See Accountants' Review Report)

NOTE 1 – ORGANIZATION AND PURPOSE

The Arts and Humanities Council of Southwest Louisiana, Inc. (dba ArtsNet) was incorporated in 1979 as a nonprofit corporation organized under the laws of the state of Louisiana for the purpose of fostering, promoting, supporting, and providing cultural events and arts programming of the highest quality for Southwest Louisiana. The Council is operated by staff with oversight by a volunteer Board of Directors. The Council is an exempt organization for federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, contributions to the Council are qualified as charitable donations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*). Under SFAS No.117, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Public Support and Expenses

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities as net assets released from restrictions. The Council relies heavily on grants (government and other) and general public donations to support its operations.

Arts and Humanities Council of Southwest Louisiana, Inc.

NOTES TO FINANCIAL STATEMENTS

(See Accountants' Review Report)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Contributions of donated noncash assets are recorded at their fair market values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by an individual possessing skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Council receives donated services from unpaid volunteers who assist in program services during the year; however, these donated services are not reflected in the statement of activity because the criteria for recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, have not been satisfied.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Grant Revenue Recognition

Grants that represent exchange transactions are recorded as a receivable when the grant is formally committed. Grants committed at year end which are applicable to the subsequent fiscal period are included in grants receivable and deferred revenue.

The Council receives grants which apply to programs whose duration extends into the subsequent year. Revenue is recognized on these grants each fiscal year based on a ratio of expenses incurred during the year to the total projected expenses of the program. At August 31, the unexpended portion of the grant is deferred. In the case of grants received for general operations that apply to a designated time period, income is recognized on a pro-rata basis.

Grants that represent contributed support are recognized in the same manner as promises to give.

Allowance for doubtful accounts

The Council considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Arts and Humanities Council of Southwest Louisiana, Inc.

NOTES TO FINANCIAL STATEMENTS

(See Accountants' Review Report)

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)

Cash and Cash Equivalents

The Council considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows excludes permanently restricted cash and cash equivalents.

Property and Equipment

Assets have been recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful life of each asset:

	<u>Years</u>
Furniture and equipment	3 - 7

Membership dues and admission fees

Membership dues are recognized as revenue in the applicable membership period. Admission fees are recorded as revenue in the period when the fees are due.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$0, in 2004.

NOTE 3 -- FURNITURE AND EQUIPMENT

The following is a summary of furniture and equipment as of August 31, 2004.

	<u>Cost</u>
Furniture	\$ 3,056
Equipment	<u>20,537</u>
	23,593
Less accumulated depreciation	<u>(17,702)</u>
	<u>\$ 5,891</u>

Arts and Humanities Council of Southwest Louisiana, Inc.

NOTES TO FINANCIAL STATEMENTS

(See Accountants' Review Report)

NOTE 4 – DUE FROM OTHER AGENCIES

Due from other agencies consisted of the following as of August 31, 2004:

State of Louisiana	
Department of the Arts, LAA Grant – 335	\$ 16,780
Department of the Arts, DAF Grant – 376	131,857
Louisiana Division of the Arts – Fee for service	<u>3,000</u>
	<u>\$ 151,637</u>

NOTE 5 – DONATED ASSETS AND SERVICES

The Council received certain in-kind donations to be used for its annual Arts Fest program. The fair value of these items are not reflected in the financial statements.

There have been no amounts reflected in the statements for donated voluntary man hours since these donated services are not reflected in the statement of activity because the criteria for recognition under SFAS No. 116 have not been satisfied. A substantial number of volunteers donated significant amounts of their time to the Council's support and program services.

NOTE 6 – CONCENTRATION OF CREDIT RISK

The Council maintains its cash accounts in a local commercial bank. Accounts are insured by the Federal Deposit Insurance Company (FDIC) up to \$100,000. Cash at this institution exceeded federally insured limits by \$15,100 as of August 31, 2004.

NOTE 7 – CONTINGENT LIABILITIES

The Council receives grants for specific purposes that are subject to review and audit by the agency providing the funding. Such reviews and audit could result in expenses being disallowed under the terms and conditions of the grants. In the opinion of management, such disallowances, if any, would be immaterial.

Arts and Humanities Council of Southwest Louisiana, Inc.

NOTES TO FINANCIAL STATEMENTS

(See Accountants' Review Report)

NOTE 8 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors and omission; injuries to employees; and natural disasters for which the organization carries commercial insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 – ECONOMIC DEPENDENCY

The Organization receives the majority of its revenues from funds provided through various federal, state and private grants. If significant budget cuts are made at the federal state and or local level, the amount of funds the Organization receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Organization will receive in the next fiscal year.

ARTS AND HUMANITIES COUNCIL OF
SOUTHWEST LOUISIANA, INC.
REPORT ON AGREED-UPON PROCEDURES
August 31, 2004



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To the Board of Directors
Arts and Humanities Council of Southwest Louisiana, Inc.
Lake Charles, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the Arts and Humanities Council of Southwest Louisiana, Inc., and the Legislative Auditor, State of Louisiana, to assist the users in evaluating management's assertions about the Council's compliance with certain laws and regulations during the year ended August 31, 2004, included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Federal, State and Local Awards

1. Determine the amount of Federal, State and local award expenditures for the fiscal year by grant and grant year.

The Council did not receive or expend any federal grants during the fiscal year and following are the expenditures for the state and local grants for the fiscal year ended August 31, 2004:

<u>Grantor</u>	<u>Grant Purpose</u>	<u>Grant Date</u>	<u>Amount Expended</u>
State of Louisiana:			
Division of the Arts	General Operating	07-01-03	\$ 29,820
	General Operating	07-01-04	2,797
Division of the Arts	Administrative Costs	07-01-03	11,491
	Administrative Costs	07-01-04	2,298
Division of the Arts	Decentralized Arts	10-01-03	119,636
City of Lake Charles	Organizational Support	2003-2004	32,300
	Administrative Costs	05-01-04	12,000
Southwest LA Convention & Visitors Bureau	Marketing	2004-2005	14,052
	LA Bicentennial Purchase	2003-2004	3,750

2. For each of the above listed awards select 6 disbursements for each award made during the period under examination, provided that no more than 30 disbursements would be selected.
3. For the items selected in procedure 2, traced the disbursements to supporting documentation as to proper amount and payee.

We examined supporting documentation for each of the 24 randomly selected disbursements and found that payment was for the proper amount and made to the correct payee.

4. For the items selected in procedure 2, determine if the disbursements were properly coded to the correct fund and general ledger.

All of the payments were properly coded to the correct fund and general ledger account.

5. For the items selected in procedure 2, determine whether the disbursements received approval from proper authorities.

Inspection of documentation supporting each of the selected disbursements indicated approval from the executive director.

6. From the programs selected for testing that had been closed out during the period under review, compare the close-out report, when required, with the entity's financial records to determine whether the amounts agree.

The disbursements selected included one state program that was closed out during the period of our review. We compared the close-out report of the program with the entity's records and the amounts reported on the report agreed with the entity's financial records.

Meetings

7. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the Open Meetings Law).

The Council is only required to post notice of each meeting and the accompanying agenda on the door of the Council's office building. Management does properly post the notice of the meetings as evidenced by observation.

Comprehensive Budget

8. For all grants exceeding \$5,000, determine that each applicable federal, state or local grantor agency was provided with a comprehensive budget of those grants that included the purpose and duration, and for the state grants, included specific goals and objectives and measures of performance.

The Council provided comprehensive budgets to the applicable grantor agencies for the programs mentioned previously. These budgets specified the anticipated uses of the funds, estimates of the duration of the projects and plans showing specific goals and objectives and measures of performance.

Prior Comments and Recommendations

9. There were no incidents in the prior year that required comments or recommendations.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Arts & Humanities Council of Southwest Louisiana, Inc., the State of Louisiana Legislative Auditor, and the applicable state grantor agencies and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Lake Charles, Louisiana

February 28, 2005